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Parker, George K.

George Washington University ; School of Government, Washington, District of Columbia.

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THE GEORGE WASHINGTON UNIVERSITY

School of Government

Washington, District of Columbia

GOVERNMENT CORPORATIONS

SEMINAR IN COMPTROLLERSHIP

Business Administration - 265

Prepared by

George K. Parker
Major, U.S.M.C.
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GOVERNMENT CORPORATIONS

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NOVEMBER 2 DECISIONS

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GOVERNMENT CORPORATIONS

Introduction

> The New Deal....does not wish to run or manage any part of the economic machine which private enterprise can run and keep running. That should be left to individuals, to corporations, to any other from of private management, with profit for those who manage well. But, when an abuse interfers with the ability of private enterprise to keep the national conveyor belt moving, government has the responsibility to eliminate that abuse.
>
> Franklin D. Roosevelt[1]

> Even if the government conduct of business could give us the maximum of efficiency instead of least efficiency, it would be purchased at the cost of freedom.
>
> Herbert Hoover[2]

There exists so many opinions in the area of government corporations that from the many arguments one is stimulated to become better acquainted and find out more about their inner workings.

What is this device that can be created to help in emergencies, that can be discarded at the politician's will, and that is so avidly debated for and against?

The commercial corporation is an organization that would only be argued against by the communist. As the method to achieve the greatest results for its shareholders, it is unexcelled. It is solidly established in the western business world. Should the government perform the

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1. The Public Papers and Addresses of Franklin D. Roosevelt (New York: Random House Inc.) 1938
2. The Challenge to Liberty (New York: Scribner, 1934)

type functions to which the corporation lends itself so well?

It has been rather obviously noted that the general direction of our time is toward collectiveism, no one can say how far it will go. To find out more about government corporations and to form some philosophy about their existence is the prime purpose of this paper.

The extent to which the Federal government is now engaged in commercial activity can well be seen by this report by the Hoover Commission.

> "There are about 100 important business enterprises which the Federal Government owns, or in which it is financially interested. These concerns engage directly or indirectly in lending money, quarenteeing loans and deposits, writing life insurance, the producing, distributing, and selling of electric power and fertilizers, the operation of railroads and ships, the purchasing and selling of farm products, and the smelting and sale of metals.
> The Governments direct investment in these enterprises is in excess of $20 billion, and there are further authorized commitments to supply about $14 billion to them. In addition, the Government quarantees directly, and indirectly, about $90 billion of deposits and mortagges and the life insurance written by Government agencies approaches $40 billion." 3

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3. The Hoover Commission, Federal Business Enterprises (Government Printing Office)

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> The Government direct investment in these enterprises is in excess of $10 billion, and there are further authorized commitments in excess of $4 billion to them. In addition, the Government underwrites directly, and indirectly, about $20 billion of deposits and mortgages and the life insurance written by government-owned corporations and others." 3

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3. The Hoover Commission, Federal Business Enterprises

Chapter I

FEDERAL CORPORATIONS

The origin of corporations is lost in antiquity. The word 'corporation' comes from Latin corpore "to form a body." This masterpiece of ingenuity is generally attributed to the Romans. Yet, the Greeks in 594 BC, and the Phoenicians in 900 BC are said to have used this form of organization.

An old definition is "A Corporation is an association of persons to whom the soverign has offered a franchise to become an artificial juridicial person with a name of its own which they can act and contract, sue and be sued, and who have accepted the offer and effected the organization in substantial conformity with its terms." 4

The Federal government has no express, but an implied, power to create corporations whereever necessary or desirable to carry out any of its express powers, as banks under currency power, railroads under interstate commerce power, manufacturing company to supply army or navy armor plate. While the Federal Congress might make the exercise of such power exclusive in it, until it has done so, the States have and exercise concurrent power to create corporations for carrying on any of their purposes. Congress probably cannot create corporations for other purposes than those stated or implied in its express powers, to

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4. The Encyclopedia America, Volume 8, p. 2

Chapter I

PRODUCT DIVERSIFICATIONS

The origin of corporations is lost in antiquity. The word 'corporation' comes from Latin corpora 'to form a body.' This originations of industry is generally attributed to the Romans. Yet, the Greeks in 594 BC, and the Babylonians in 900 BC are said to have had this form of organization.

In the Middle Ages the "a Commonwealth is an association of persons in some sort similar like different a Commonwealth is having an artificial intellectual person with a power of its own which they can act and consider, are also be said, are also have authority the other and difficult the essentially in commercial contracting with the person." 4

The Federal government has no regulator, but an initial, power to create corporations wherever necessary or desirable to carry out any of its enumerated powers, as under current power, relating under interstate commerce power, manufacturing company is supply army or navy arsenal plant. While the Federal Congress might make the exercise of such power mandatory in it, until it has done so, the States have the exercise concurrent power to create corporations for carrying on any of their purposes. Charters should define corporate organizations for their purposes such those which are limited in the express powers, as

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4. The Encyclopedia Britica, Volume 2, p. 4

operate in the States, against their consent; although, because the National banks and the Pacific railroads incorporated by Congress do a local business, it has been argued that Congress can give such capacity, if not the legal right to do such business. Under the "commerce power", the Congress has not only incorporated railroad companies to build and operate interstate railroads, but, also a canal corporation with authority to construct a canal in a foreign country. So, in our Federal Corporations there exists little, if any, real authority for the Federal Corporations. It has been creditably argued that the Federal Corporation is an infringement upon the rights of private industry, and that the exhileration of their use has taken us a long way toward Socialism and, that, further, they are the use of political force to abolish private property and private enterprise.

The Hoover Commission report, and especially its supporting task force reports, found the Federal Corporation to have many virtues, the most outstanding being the fact that it is administratively detached, temporary, instead of permanent, and easily abolished when political sentiment is favorable to "less government in business." The clearest statement of this position is found in the task force report on Lending Agencies.

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operate in the South, helped their owners, although, because the maximum force and the implicit privileges incorporation of Congress in a local situation, it has been argued that industry has gone much further, if not the legal right to be its own business. Under the "commerce power", the Congress has set with increasingly minimal resources to build and operate industrial enterprises, but, also a local corporation, its subsidiary to monopoly ownership in a foreign country. Or, in our political corporations bring events little, if any, real advantage for federal corporations. It has been overstated report that the Federal Corporation is an infringement upon the rights of private industry, and that the establishment of Government has taken us a long way toward socialism and, that, further, they are the use of political force to destroy private industry and private enterprise.

The Federal Corporation report, and especially its recommendations for fiscal reforms, found the Federal Corporation to have only virtues, its case substantiating only the fact that it is extraordinarily economical, economy, improved of personnel, and really outstanding some criticism mainly is directed to "less government in business." The political challenge of this question is found in the best future reform of limiting expenses.

Chapter II

REASONS FOR GOVERNMENT PARTICIPATION IN BUSINESS

Many new responsibilities have been placed upon the government in the past 40 years so as to require it to engage increasingly in business-type operations, so that today a substantial portion of federal activities falls within the corporate category. They all have a common objective, to accomplish some authorized governmental purpose. Profit is not the goal. These enterprises are merely means to an end. They do not differ materially in purpose from other types of governmental activity which are called "political." Government entrance into the business field has taken place for several reasons. One reason was the failure of private industry in an essential industry, this was the case with the Panama Canal and the Alaskan Railroad. National health and morals have been the primary considerations in the development of many of the water systems. Government has intervened for reasons of national defense, this was the case with the railroad, telephone, and telegraph systems during the First World War. National defense, at the moment, explains government ownership and operation of atomic-energy industry. These were not, in every sense, Corporations, but the principal of government administration of private industry is illustrated. Many of the seemingly desirable undertakings have

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Models for Government Participation in Business

Most new responsibilities have been taken where the government in the past has proved or is so believed to be more/more effective in business-like operations, so that today a considerable portion of federal activities fall within the corporate category. They all have a common origin, in economics, some authorized governmental purpose. Profit is not the goal. Under enterprises are merely means to an end. They do not affect private activity in purpose from other types of governmental activity which are called "policies." Government activities that can undertake field are given quite several models. The reason was the failure of private industry in an essential industry, such as the case with the Tennessee Coast and the Alaska Railroad. National health and security and some its primary considerations in the development of many of the major agencies. Controlled and interrelated for measure of monetary in nature, like the TVA with its multipurpose, inland waterway, and conservation systems during the first World War. Established defense, or the energy, exploiting corporations owned solely and operation of monopoly character. Since this was, in most cases, discretionary, but the priority of government participation of private business in a transition. Most of the employing industrial corporations have

been so huge that they appeared to be beyond the capacity of even the largest private corporation.

Government has created corporations for three major purposes. The principal use to which they were put during the depression was to facilitate the extension of credit to hard-pressed banking, insurance, transportation, manufacturing and other private corporations and also to the states and subdivisions. Here, we meet such agencies as the Reconstruction Finance Corporation, the Home Owner's Loan Corporation, the production credit corporations, the Commodity Credit Corporation, and in a somewhat different sense, the Federal Deposit Insurance Corporation.

The second principal use for which the government has resorted to incorporation is to carry on activities of a commercial and business nature. The phrase includes, by way of specific example, operation of transportation system (Panama Railroad Company, Emergency Fleet Corporation, Inland Waterways Corporation) production and distribution or/ and regulation of prices; (Federal Prison Industries, Inc., Cotton Stabilization Corporation); construction of public works (United States Housing Corporations, Public Work Emergency Housing Corporation; construction of dams and power plants (Tennessee Valley Authority; Extension of relief. (Federal Subsistence Homesteads Corporation, Federal Surplus Commodities Corporations, rural rehabilitation corporations); and the building of rental and low-cost housing.

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uses as large that they appeared to be beyond the capacity of even the largest private corporations.

Government has created corporations for three major purposes. The principal one to which they were put during the depression was to facilitate the extension of credit to hard-pressed agriculture, insurance, transportation, manufacturing and other private enterprises and also to the states and subdivisions. Here, we see such agencies as the Reconstruction Finance Corporation, the home owner's loan Corporation, the production credit corporations, the Commodity Credit Corporation, and in a somewhat different sense, the Federal Deposit Insurance Corporation.

The second principal use for which the government has resorted to incorporation is to carry on activities of a commercial and business nature. The phrase includes, by way of specific example, operation of transportation systems (Panama Railroad Company, Alaskan Road Commission, Inland Waterways Corporation) production and distribution and regulation of power (Federal Power Commission, Tennessee Valley Authority; Bonneville Power Administration, Rural Electrification Administration, Rural Electrification Corporations), conservation of land and water (Soil Conservation Service, Tennessee Valley Authority; Reclamation of water (Federal Emergency Administration of Public Works (United States Housing Corporations, Public Works Emergency Housing Corporation) construction of dams and power plants (Tennessee Valley Authority; Reclamation of water. (Federal Emergency Administration of Public Works, Rural Electrification Corporations), and the building of rental and low-cost housing.

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Several of these examples were liquidated by 1948.

The third important use of government corporations was to deal with emergency problems that could be sharply isolated, such as procuring rubber or tin, and extending plant facilities. The production of the atomic bomb was managed by the War Department as a separate, but, incorporated project. The peace-time use of atomic energy may lead to a new series of government corporations. The government has formed corporations in an effort to conserve and more effectively utilize our natural resources, as in the case of the Tennessee Valley Authority. The government has also entered business as a competitor in order to regulate more effectively those engaged in an industry.

As has been pointed out, government ownership has steadily increased in spite of strenuous opposition. Thirty-five years ago, the Federal government owned only a fraction of the land area of the nation and none of the industrial capacity of the country. Since then, the Federal corporations have come into existence and have taken over about 40 per cent of the land area and about 20 per cent of the industrial capacity of the country.

Critics usually assert that government ownership involves an excessive amount of bureaucracy and red tape, They further alledged that because of the absense of personal risk, competitive factors, and the desire for pro-

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several of these enclave were liquidated by 1948.

The third experiment was of government manipulation to deal with monetary problems that could be adequately isolated, such as preventing inflow or sin, and encouraging plant rationalization. The overwhelming of the economic base was assured by the far geographical as a reserve, but, innovations payment. The pseudo-link are of already energy and lack to be over causes of government decisions. The government has formed organizations in an effort to stabilize and more efficiently utilize our natural resources, as in the case of the Tennessee Valley authority. The government has also actively endeavored as a guarantor to urges as rationalize effectively those engaged in an industry.

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Critics usually assert that government ownership involves an excessive amount of bureaucracy and red tape. They further allege that capacity of the Congress of the United States, committees Factors, and the varied interpre-

fit, government-owned enterprises are lacking in incentive, imagination and inititive. Like most generalalities, however, they perhaps claim too much.

As was pointed out, the extent of government's entrance in business undertakings has been surpriseingly large. The government engages in every function of American industry. A compiled list of government corporations will be shown at the end of this paper.

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The government-owned subsidiaries are leading in inventiveness, innovation and initiative. Like most generalizations, however, they perhaps miss the mark.

As has pointed out, the extent of government's encouragement in national subsidiaries has been substantially large. The potential dangers in every instance of American industry. A simplified list of government encouragements will be shown at the end of this paper.

Chapter III

THE CORPORATE DEVICE

It is argued that the corporate device, when faithfully followed, is superior to departmentalism in, at least, three major respects: it is potentially less subject to injurious political considerations, it is more autonomous in organization and capable of a greater degree of unity in its management (both of which are essential to efficient operation), and it has greater flexibility with regard to its financial operations and is designed to stand on its own financial-feet as a business enterprise should.

There exists much concern about the apparent diversity of form which exists among United States government corporations. Key writes: "It is thus misleading to speak of 'the' government corporation. No uniformity of powers or form is apparent; about all that government corporations have in common is the name."[5] Outward appearances are deceiving. While there is considerable variety in the kinds of programs administered by government corporations, nonetheless, they exhibit a high degree of uniformity as to purpose, nature of activity, and powers.

Part of the confusion undoubtedly arises from the use of the term "corporation". It might have been pre-

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5. V.O. Keys, Jr. "Government Corporation", in Fritz Morstein Marx (ed) Elements of Public Administration (Printice Hall, 1946)

ferable if the government organization had not borrowed its name from a private prototype. While government and private corporations in the United States do possess certain common characteristics, there are, and always have been, fundamental differences. Both have a legal personality, can sue and be sued, and generally have boards of directors. Here the resemblence ends. Private corporations, with the obvious exceptions, are organized for profit and the corporate form is utilized primarily to take advantage of limited liabilities, pooling of investments, transferability of securities. These are of no significance to the government corporation.

Government corporations are business ventures with no profit motive, but with definite objectives. They are not policy-making bodies with a broad range of discretion, as, for example, that of the political departments. The business of the Inland Waterways Corporations is barge transportation, the work of the Export-Import Bank is limited to foreign trade, the purpose of the Farm Credit Administration group is to facilitate agricultural finance, and so on. The business objective of the governmental corporations have not always been clearly defined, and wider areas of discretion have been accorded---under state incorporation and prior to the Government Corporation Control Act of 1945---than Congress would ever have sanctioned. But this difficulty

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identic if the government organization has not actually its own form a private property. While government and private organizations in the United States do possess certain common characteristics, point one, not always have been, functional alikeness. When first a local particular, one gets not to be found, and especially rare instances of diversity. Here the characteristic mode, private organization, that the obvious assumption are irrelevant for result but the principle form is actually primarily to the criterion of limited liability, notion of internal, formal availability of opportunity. Thus--and if so exceptions to the government organization.

Private organizations are business ventures with no profit motive, but with certain objectives. They are not policy-making bodies with a broad range of discretion, as, for example, some of the political institutions. The business of the United Fraternal Organizations is being transacted, the type of the Fraternal Order and is trying to provide funds, the purpose of the Post Office Administration group is or is utilizing monetary fraught, and so on. The function objectives of the organizations, governmental have not always been clearly defined, and other areas of activity in fact have expanded--under which bureaucracies and people on the government organization charged has of long--those conditions equally open have motivations. But this difficulty

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has now been corrected by Congresstional legislation. Corporate charters hereafter will be carefully drawn so that government corporation, it is assumed, will now be utilized for the purpose for which they are justified; namely, to conduct a business enterprise which can more efficiently administer in the Corporate form than as a regular department or bureau. However, herein lies the old conflict of ideologies. Should the government enter into these business enterprises, or should they be left to the individual enterprise system?

The corporation is not primarily concerned with the establishment of objective and the formulation of broad policies, because this is done for it by Congressional charters and Congressional legislative and financial authorization. Therefore, the business-operationing character of the corporation is the part of its nature which must be emphasised, and hence, autonomy is the part of its nature which should be emphasised.

In fact, the chief virtue of the corporation is its autonomy. The right to "manage its own affairs". Autonomy means concentrating managerial powers in the hands of competent people and giving them enough free rein to achieve the desired results. It is the privilege of being left alone so long as you do not overstep the rules laid down in advance. Congress alone cannot run a business, but any number of people or the government itself

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has not been matched by concomitant legislation. Corporate monopoly power will be correctly known as that corporate corporation, if it exists, will not be utilized for the purpose for which they are justified, namely, to promote a vigorous competitive union and more efficiently administer in the interests of the people as a regular government or bureau. However, merely like the old conflict of industries. Should the government enter these areas customary activities, it should step to left to the individual enterprise system.

The information is not primarily concerned with the establishment of objectives and the attribution of broad policy, however this is done for it by constitutional charters and Ministerial Instructions and financial authorisation. Therefore, the continuous-controlling responsibility of the corporation is the part of the whole which must be emphasised, and hence, primarily is the area of the major point which should be emphasised.

In fact, the chief issue in the corporation is its autonomy. The right to "manage its own affairs", subject only to the overarching ministerial powers in the hands of competent people and giving that minister free rein to achieve the desired results. It is the privilege of leadership alone as long as you do not interfere the rules laid down in advance. Centrism alone would run a mediocre, but any number of people or the government itself

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can run a successful enterprise if they pick competent administrators and provide them with sufficient freedom to organize staff, finance, and then run it as skilled administrators can when the conditions are conducive to success. Being a separate and distinct entity, headed by its own board of directors, the corporation is inherently better able to succeed than the ordinary department of government. Politics and bureaucracy come in as business standards are relaxed.

The United States, in order to use the public corporation wisely and dodge the pitfalls that accompany it, should be well aware that the form with which we are most familiar here is not the only one.

There are three principal varieties of public corporations:

> "1. The mixed enterprise, in which both public and private ownership combine to form a corporate partnership.
>
> 2. The public utility trust, in which ownership is private, profits are limited by charter, and management is provided by government.
>
> 3. The government-owned corporation where both ownership and management are public."

Which of these forms takes hold in any given country seems to be largely the result of chance. One method is tried, if it works, it is repeated and so a precedent is set. Of the above, France has preferred to follow the mixed enterprise, while Britain has used the public util-

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"The Administration of the Nationalized Industries in Britain". Public Administration Review, Summer, 1947

can run a successful enterprise if they have competent administrators and provide them with sufficient funds to employ staff, finance, and then pay it as civilian public-utility companies can when one commission is responsible to another. Being a complete and distinct entity, having its own chairman at Ottawa, its employees is independently subject only to appeal when the ordinary courts of government. Politics and patronage once in as business enterprises are injured.

The United States, on whom it are the public utilities mainly and under the principle that everybody is, should be will always that the jurisdiction are with federal power is not the only one.

There are three principal principles of public operations.

1. The mixed enterprise, in which both public and private capital combine in form a corporate partnership.

2. The public utility trust, in which ownership in private, profits are limited by charter, and management is provided by government.

3. The government-owned enterprise where both capital and management are public.

Which of these forms seems best to our mind country depends on its loyalty and remote to monopoly. The method is trial, if it works, it is retained and is a precedent is set. Of the three, France has preferred to follow the mixed enterprise, while Britain has used the public util-

ity successfully, and Germany the government-owned corporation. Certainly, our traditions and historical background lies more with England, yet we have used the government-owned corporation exclusively at the national level.

The first venture into business activities for the United States came back in 1904 with the purchase of the capital stock of the Panama Railroad Company. The government took it over at the time the canal was built. The company had been operated successfully for fifty-five years by private interest. The very momentum, strong traditions and geographic location succeeded in keeping the private corporate ventures remarkably intact. It has a real board of directors, financed itself for a long while without appropriations, makes its own rules of internal management, and has remained a true business concern.

The efficiency of years past has, however, been lost. Although the railroad is rent free and tax free, and charges normal rates, it still received 20 million tax funds in the last fiscal year.

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ity successfully, and thereby the government-owned corporation. Currently, our troubles are different because we are with Poland, let us save the government-owned corporation voluntarily at the national level.

The first failure into business activities for the United States came done in 1904 with the purchase of the capital stock of the Panama Railroad Company. The corporate zone is over as the time the canal was built. The company has been operated successfully for fifty-five years of critic issues. The very president, strong brilliance and complete information succeeded in keeping the private corporate business successfully safed. It has a real board of directors, financial itself for a long while without appropriations, making its own rules of internal management, and has received a true business company.

The efficiency of years past has, however, been lost. Although the national is real free and tax free, and shares normal rates, it still received 20 million tax funds in the last fiscal year.

Chapter IV

A TYPICAL GOVERNMENT CORPORATION

It is not the purpose of this paper to look into the organization and functions of each of the government corporations, but in order to gain a better understanding, one corporation has been selected as being typical. Perhaps only a few have received anymore criticism and none has been written upon as much as the Tennessee Valley Authority.

In 1935 the Tennessee Valley Authority Act was passed by Congress. The operation of Wilson Dam, at Muscle Shoals, included, among other things, the generation of electricity for its own use and transmission and sale of the surplus in surrounding territory. A very inviting campaign was waged to induce all farmers and municipalities to form cooperatives and construct their own distribution systems. The TVA would then sell to them at wholesale prices. Private utilities began to fight the program violently, claiming among other things, that the Federal government lacked constitutional authority to dispose of surplus electricity in such a way as to threaten their business and bring them under federal regulation rather than state.

The dispute went to the Supreme Court in 1936. The Court ruled that the building of the dam, which had been

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CHAPTER IV

A TRIBAL GOVERNMENT CORPORATION

It is not the purpose of this chapter to trace the organization and functions of each of the government corporations, but in order to gain a better understanding, one corporation has been selected as being typical. Inasmuch as it has been written upon by most of the Tennessee Valley authority.

In 1933 the Tennessee Valley authority bill was passed by Congress. The operation of Wilson Dam, or Muscle Shoals, contained, among other things, the construction of electricity for its own use and transmission and sale of the surplus in surrounding territory. A very interesting comparison can be made to show all features and monopolistic in form cooperatives and compares their and distributing systems. The TVA would seem well to have at worldwide prices. Private utilities began to fight the program violently, claiming among other things, that the federal government lacked constitutional authority to engage of surplus electricity in such a way as to interfere in their business and using them under federal regulation rather than state.

The dispute went to the Supreme Court in 1936. The Court rules that the building of the dam, which had been

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begun during the first World War, was a legitimate exercise of the war power, and other operations on the river were legitimate exercise of the power over interstate commerce. As for the disposal of surplus electricity, the Court pointed out that the electricity "was property of the United States constitutionally acquired, that the Constitution expressly authorized Congress to dispose of and make all needful rules and regulations respecting--- property belonging to the United States. The operations of TVA were thereby made legal. The program has been greatly expanded in the vicinity of the Tennessee River and extended to other parts of the nation as well, with the result that Congress has discovered a highly effective weapon with which to regulate private enterprise.

"TVA is headed by a three man board of directors appointed by the President of the United States. The board may exercise all the powers of the corporation and serves as the chief policy-making body. The chief administrative officer is the general manager, appointed by the board and responsible for carrying out its policies. To facilitate the intregration of budgeting with general administration, the budget staff is a part of the office of the general manager and assistant general manager serves as chief budget officer.

Although TVA has the corporate form of organization and such corporate powers as the right to sue and to be

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sued, it has no capital stock. TVA funds are presently received from two sources, operating proceeds, and congressional appropriations. Operating proceeds, however, may be used only for certain designated purposes. Section 26 of the TVA Act authorizes the use of proceeds "in the operation of dams and reservoirs, in conducting its business, in generating, transmitting, and distributing electric energy, and in manufacturing, selling, and distributing fertilizer and fertilizer ingredients."[7]

The primary purpose of TVA is that of developing "orderly and proper physical, economic and social development"[8] of the area. Its first concern must be navigation and flood control, but beyond that, it is directed to produce nitrate and phosphate products for use as fertilizers in peacetime and munitions in time of war, operate electric plants for its own use and sale of the surplus soil conservation and diversification of industry. One of the non-measureable by-products is the improved recreation facilities which includes fishing, camping, swimming, and boating.

"Ranging up and down the Tennessee River there are nine dams; on its tributaries are seventeen dams, and the tributaries of the Cumberland has two. Behind each dam is a lake forming, in total, a water line longer than the salt-water boundry of the entire continental United States. Each of the main river dams has a spillway section, a navigation lock, and a powerhouse. The series

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7. Kull, Donald, C. Decentralized Budget Administration in The Tennessee Valley Authority. Public Administration Review, Winter, 1949.
8. White, Lennard, D. Introduction to the Study of Public Administration. 3rd ed. McMillian. 1948

ment, it has no capital stock. The funds are primarily received from the sources, appropriations grants, and contractual repayments. Operating expenses, however, may be used only for certain designated purposes.

Section 25 of the TVA act authorizes the use of proceeds "in the operation of dams and reservoirs, in conducting its business, in planning, transmitting, and distributing electric energy, and in manufacturing, selling, and distributing fertilizer and fertilizer materials."

The primary purpose of TVA is that of developing "jointly and proper physical, economic and social development" of the area. The first concern must be navigation and flood control. The second that, it is charged to produce nitrate and phosphate products for use as fertilizers in peacetime and munitions in time of war, generate electric power for its own use and sale of the surplus and conservation and diversification of industry. One of the post-war results hydroponics is the improved reservation facilities which include fishing, swimming, skating, and boating.

Tracing up and down the Tennessee River there are many dams in the structures for navigation and the utilization of the flow of the river and the. Dams are in the 9 step fashion, in total, a water line longer than the mid-water boundary of the entire continental United States. Each of the main river dams has a building position, a navigation lock, and a powerhouse. The series

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of nine dams provide a navigation channel of 9-foot minimum depth for the entire 650 mile length of the Tennessee River. Tributary dams are essentially storage dams, none has a navigation lock, but all have hydroelectric generating plants. The Authority also directs the operation of five Aluminum Company of America dams on tributaries of the Tennessee, thereby assuring more control and coordination of the vast power in this area. It maintains a network of transmission lines, a switch at each hydro or steam plant to put the power on the lines and substations throughout the power service area for taking power from the lines. The Authority also operates chemical plants for manufacturing nitrate and phosphate products.[9]"

Most controversy has centered around the sale by the Authority of surplus electric power. The Authority can sell power either at its generating plants or elsewhere. In its selection of customers, preference must be shown to cooperative associations and municipalities. All contracts with municipalities and cooperatives stipulate not only the rates to be paid TVA, but also the rates at which the energy must be resold. In the beginning, those rates were from 40 to 60 per cent lower than those previously charged by private utilities in the area. Now, most of the utilities companies have lowered their rates more in line with TVA level.

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9, David E. Lilienthal, TVA, Democracy on the March (New York: Harper 2nd ed., 1944)

of nine dams provide a navigation channel 9-foot minimum depth for the entire 650 mile length of the Tennessee River. Tributary dams are essentially storage dams, some has a navigation lock, but all have hydroelectric generating plants. The authority also directed the construction of five aluminum reduction plants on tributaries of the Tennessee, thereby assuring more economical transportation of the vast power to this area. It maintains a network of transmission lines, a system as much system or grids plans to put the power on the lines and distributing throughout the power service area for taking power from the lines. The authority also operates chemical plants for manufacture of nitrate and phosphate products.

Great controversy has centered around the sale by the authority of surplus electric power. The authority can sell power either at its generating plants or elsewhere. In its selection of customers, preference must be given to cooperative associations and municipalities. All contracts with municipalities and cooperative associations not only the rates to be paid TVA, but also the rates at which the energy must be resold. In the beginning, these rates were from 40 to 60 per cent lower than those previously charged by private utilities in the area. Now, most of the utilities companies have lowered their rates more in line with TVA level.

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9. David T. Lilienthal, TVA, Democracy on the Marsh (New York: Harper Bros., 1944).

Supporting his H. J. Res. 184 of February 12, 1953, Representative Busby of Illinois had this to say regarding the TVA. "The Tennessee Valley Authority is another example of Government competition with private power industry. TVA has been a controversial project. The press has carried many items of the extravagance and waste of TVA. Of course, supporters of public power have sought to defend all of these...I would like to point out that in the field of hydroelectric power, publicly owned plants have increased almost six times in the past 20 years, and now represent an investment of 50 billion---more than twice that of all privately owned utilities."[10]

Opposition to TVA comes chiefly from private utilities, coal, and railroad interest, local groups who feared their land would be taken and other groups adversely affected, banking and financial groups, States-rights advocates, manufactures of fertilizers, and others opposed to the principal of government ownership or Federal control.

Two criticisms have been made of the rate policies of the Authority: first, that its wholesale rates do not accurately reflect all the cost of generating power, and second, that the retail rates charged by cooperatives and municipalities, but dictated by TVA, do not reflect all proper cost. If either of these contentions is

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10. H. J. Res. 184, of Feb. 12, 1953, 83rd Congress, 1st Session, Mr. Busby, Illinois.

Corresponding Kim M. W. Hsu, 1st of January 24, 1953, Representative Mandy of Illinois had line to say regarding the TVA. "The Tennessee Valley Authority is another example of government competition with private power industry. TVA has been a controversial project. The press has carried many items of the enterprise and more of TVA. Of course, supporters of public power have sought to defend all of these...I would like to point out that in the field of electricity power, possibly other plants have increased almost six times in the past 20 years, and now represent an investment of 50 billion--over ten bill. times of all electric power utilities."[10]

Commission to the above quotes from private utilities, that, the national interest, which provide the power that would be taken and other public services efforts, banking and financial crisis, electric consumers, manufacturers of fertilizer, and other opposed to the principal of government ownership of private industry.

The Illinois Dem. Chairman of the Rule Utilities of the Eighteenth Ill., that the municipals prior to the modernizing overlap all the cost of commercial power, and should, that are retail rates charged by cooperatives and municipalities, but directly by TVA, do not reflect all proper costs. It always of these conclusions is

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10. Cong. Rec., 1st Sess., 83d Cong., 99 Pt. 1, p. 1

correct, the users of TVA electricity enjoy a subsidy from the taxpayers of the entire country. And, too, if either is true, TVA rates are improper measurement of what it should cost private utilities to render the same service.

The Hoover Commission paid considerable attention to the TVA but made no judgment of the rate controversy. The task force did, however, make the following observations: "(1) It noted, without confirmation or disapproval, that the General Accounting Office in 1949 had concluded that TVA had allocated to power an insufficient share of the cost of multiple-use facilities. (2) On the basis of this allocation, power revenues are well in excess of those required to repay over 50-year periods the cost of facilities allocated to power, even when construction interest is charged at 3 per cent on the unpaid debt balance. (3) TVA made payments to States and counties in lieu of taxes at rates gradually decreasing from 10 per cent to 5 per cent (beginning July 1, 1948) of gross revenues from power sales. By comparison, class A and B electric utilities paid in taxes for 1946 an average of 19 per cent of gross revenues. (4) TVA annual reports were found to be comprehensive, and to present clearly the financial condition of the authority and the results of operation."[11] The task force noted again without comment that the General Accounting

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11. Ferguson and McHenery, The American System of Government, McGraw Hill, 2nd edition, pg. 719.

control, the users of TVA electricity only a small fire the taxpayers of the entire country. (2) Also, if either is true, TVA rates are lower because of what is actually cost private utilities to produce the same service.

The power commission took unmistakable strength to size TVA not made on judgment of the rate commission. The fact first did, however, make the following observations: "(1) It noted, without qualification or disapproval, that the general accounting office in 1949 had concluded that TVA was allowed to depart on inventory-based where of the cost of multiple-use facilities.

(2) On the basis of this allocation, other revenues are well in excess of those required to repay over 50-year periods the cost of facilities allocated to power, even when construction interest is charged at 3 per cent on the unpaid debt balance. (3) TVA has payments to states and counties in lieu of taxes at rates in excess of private companies from 10 per cent to 5 per cent (beginning July 1, 1949) of gross revenues from power sales. (4) Consumers, since 1 for 2 electric utilities paid in taxes for 1949 an average of 10 per cent of gross revenues.

(5) TVA engineering staffs found to be competent, and to present clearly the financial position of the authority and the results of operation." The last point makes public without qualification that the largest electric

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11. Congress and Congress. The Electric Power of the

Office had said in 1945 of TVA accounts that they "generally were well conceived, supervised, and maintained, and the authority is to be commended as one of the foremost Government corporations in the use of accounting management, comparing quite favorably in this respect with well-managed private corporations."[12]

Regardless of all that has been written so enthusiasticly in favor, and regardless of all that has been written so bitterly against, several things seem to be clear about the TVA. "Most neutral observers seem to agree that the corporation has been well run from an administrative point of view; from an engineering point of view, dams and all other structures are soundly and beautifully built, public ownership has been encouraged in the area, electric rates have been lowered generally throughout the area, low rates have greatly increased the use of electric energy, tended to stablize population, diversify industry, and attract new capital; great strides have been made in controlling flood waters, conserving soil and improving navigation; manufacture of nitrates and phosphates has helped to lower fertilizer prices and otherwise encourage its use; and the authority has been unusually considerate in its handling of personnel and the social and cultural problems of which there are many."[13] For these improvements, in addition to paying for the products of the authority, the Amer-

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12. Revolving Funds and Business Enterprises of the Government, Government Printing Office, pp. 33-97
13. Ferguson and McHenery, The American System of Government, McGraw Hill, 2nd edition.

ican taxpayer contributed in tax funds 19 million dollars in 1948, 31 million in 1949, and more than 56 million in 1950. In making judgment of the achievements and shortcomings of the TVA, one final point that will be deined by no one, and that is that the Tennessee Valley Authority has been a political empire.

[illegible] expenditures in the Tennessee Valley in 1933, 31 million in 1939, and some [illegible] 41 million in 1950. [illegible] judgment of the administration and [illegible] of the TVA, one first point must be [illegible] by the [illegible] that is that the Tennessee Valley authority is not [illegible] a political agency.

Chapter V

THE GOVERNMENT CORPORATION CONTROL ACT OF 1945

In comparison with regular government departments, Corporate Agencies have been characterized by a considerable flexibility and freedom in administration, particularly with respect to personnel and fiscal management, and by a substantial measure of independence from regular executive and legislative controls over policy. It is because of these factors that the corporations have been so well adapted to the administering of commercial and emergency services. "The status of corporations as agencies separate and distinct, administratively and financially and legally, from the government itself has facilitated their adoption of commercial methods of accounting and financing, avoidance of political controls and utilization of regular procedures of business management."[14]

There were considerable misgivings manifest principally in Congress as to the wisdom of so much administrative latitude. A principal contributing factor was the over-use of the corporate device. Instead of employing the corporate form only in clear-cut cases of public enterprises engaged in the conduct of financially self-supporting programs, "corporate status has been conferred on a number of activities simply because they

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14. C. Herman Pritchett, The Government Corporation Control Act of 1945, "The American Political Science Review", June, 1946.

The Government Commercial Control Act of 1949

In comparison with regular private business enterprises, corporate agencies have been characterized by a considerable flexibility and freedom in administration, particularly with respect to personnel and fiscal management, and by a substantial degree of independence from regular executive and legislative control over policy. It is because of these factors that the corporations have been so well suited to the administering of commercial and emergency services. "The wide-ranging as economic emergency and direct, administratively and financially and legally, from the government itself has facilitated their adoption of commercial methods of accounting and financing, avoidance of political control and utilization of regular procedures of business management."[14]

There were considerable misgivings concerning centralization in Congress as to the wisdom of so much executive initiative. A principal contributing factor was the size of the corporate assets. Instead of employing the corporate form only in emergency cases of public enterprises conducted in the character of financially self-supporting projects, "corporate charter has been conferred on a number of activities which cannot have

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14. J. Herman Fritschel, The Government Corporation Control Act of 1949, "Public Administration Review", Vol. 10, No. 3, Summer, 1950, p. 1.

were going to do some type of buying or selling, or because they were administering an urgent program, or because their administrators wanted freedom from regular government controls, and because it was easier to get the new agency set up under state incorporation laws than to secure action by Congress."[15]

Congressional pessimism was vented in September of 1945 by passage of the "Control Act." With Senators Byrd and Butler at the helm, Congress was able to provide control in the following fields.

Budget of the Bureau Control--Government Corporations that were financed by other than appropriation means, were exempt from budgetary control. The regular budgetary review was put into effect for those dependent upon appropriations. The great difficulty of forecasting accurately their financial needs was always used as one of the basis of support for relief from budget bureau control.

Congressional Expenditure Control--The absence of congressional supervision and approval for expenditures of corporations not requiring appropriated funds has been one of the features of corporate administration about which Congress has tended to become most disturbed. The Control Act of 1945 adopted a uniform rule virtually eliminating exemption from appropriation control.

General Accounting Office Control--The Control Act

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15. ibid

of 1945 provides for G.A.O. audit "in accordance with the principals and procedures applicable to commercial corporate transactions."[16] Audit reports on all corporations are required to be submitted by January 15 following the close of each fiscal year, and are to include: "a statement (showing intercorporation relations) of assets and liabilities, or capital and surplus, or deficet; a statement of surplus or deficet analysis, a statement of income and expenses; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial conditions of the several corporations, together with such recommendations with respect thereto as the Comptroller-General may deem advisable, including a report of any impairment of capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking observed in the course of the audit, which, in the opinion of the Comptroller-General, has been carried on, or made, without the authority of law."

It should be noted that the authority given to the Comptroller-General to recommend the return of government capital or the payment of dividends by corporations

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16. Revolving Funds and Business Enterprises of the Government (Government Printing Office)

of 1965 provides for this. Audit "in accordance with the principles and procedures applicable to commercial corporate investigations." Audit reports on all enterprises are required to be published by January 15 following the close of each fiscal year, and are to include "a statement (showing information relating thereto) of assets and liabilities, on capital and surplus, or deficit; a statement of receipts or certain expenditures, a statement of income and expenditure of funds; and such statements and information as may be deemed necessary to show complete information as to the operations and financial conditions of the several corporations, including also such recommendations that members certain as the Comptroller-General may deem advisable. Including a report of any expenditure of capital noted in the audit and recommendations for the return of such expenditure capital or the payment of such dividends as, in his judgment, should be authorized. The report shall also show specifically any payment, expenditure, or other financial transaction or undertaking findings in the course of the audit, which, in the opinion of the Comptroller-General, may have merited so, or could exist but the contrary is law."

It should be noted that the authority given to the Comptroller-General to recommend the return of government capital or the payment of dividends by corporations

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[illegible]

is a substantial new infringement of the rights of corporate management. Since Congress is likely to follow the advice of the Comptroller-General on these points, it means that decisions on matters of the greatest importance for effective corporate administration have been transferred from the control of the responsible boards of directors to an auditor without responsibility for administration results.

Treasury Control--The Treasury has taken the view that corporation funds should be deposited with the Treasurer of the United States and the Control Act adopted this principal. The Act makes the Treasurer the coordinator of all corporate determination as to time, terms, and conditions under which obligations will be issued. The Control Act also brings under Treasury Control, the sale or purchase by government corporations, on their own account, of any direct or guaranteed obligation of the United States.

Control of Mixed-Ownership Corporations--These Corporations are not required to submit a budget, but are required to submit to the regular G.A.O. commercial type audit.

Acquiring and Losing Corporate Status--The act provides methods whereby government corporations can, in effect, be stripped of their corporate status. It also disallows the further use of the States to incorporate

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is a suggestion; the information of the figures of corporation management. Below Guatemala is likely to follow the action of the Government-Department to close points, is means that politicians in matters of the creation in-centives for efficient economic activities have been transferred from the control of the management towards of directors to an auditor without responsibility for activities results.

Company Control--The Treasury has taken the view that corporation funds should be supplied with the Treasury of the United States and the Control Act adopted this principle. The act makes the Treasurer the owner-owner of all corporate instruments as to size, terms, and conditions under which subsidiaries will be issued. The Control Act also brings under Treasury control, the sale or purchase of government securities, on their own account, if any direct or monetary obligations of the United States.

Control of Wind-Generated Electricity--These conditions are not required in Guatemala, but are required by models in the regular U.S. commercial type study.

Activities and Labor Security Taxes--The tax otherwise imposed upon government employees and men, in effect, is equivalent of their employee share. It also facilities the further use of the taxes in government

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federal corporations.

The attributes of the public corporation, observed C. H. Pritchett, have been "disappearing before our eyes, like the Cheshire cat." Soon, there may be nothing left but a smile to mark the spot where the government corporation once stood." After the passage of the Government Coporation Control Act of 1945, he wrote, "The Control Act of 1945 is the latest step in ten years of retreat from the principal of corporate autonomy. It goes far toward completing the task of eliminating the features which have made government corporations useful instruments for enterprise purposes . . . the pattern of control imposed means that, for good or ill, American experience with autonomous public corporations, is substantially at an end."[17]

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17. C. H. Pritchett, "The Government Control Act of 1945", The American Political Science Review, June, 1946

[illegible] communications.

The assertions of the public communication, observed E. P. Thompson, have been "disappearing before our eyes. Like the Cheshire cat," Soon, there may be nothing left but a smile to mark the spot where the government-corporation once stood." Either the passage of the Superconducting Supercollider Act (illegible), or (illegible) "the control act of 1985 is the latest step in the phase of retreat from the philosophy of corporate economy. It also far beyond cancelling the dreams of eliminating the factors which made corporate economics useful instruments for capitalistic purposes . . . The abolition of control involves more than, for good or ill, destroying the particular air autonomous public corporations. It questionably also so does."[17]

Chapter VI

THE PRESENT TREND AND CONCLUSIONS

As pointed out by Mr. Pritchett, Congress has virtually eliminated the usefulness of the Government Corporation and now there is increasing reason to believe there will be further steps toward elimination if not total elimination of the Government Corporation.

The following Resolution was introduced in the House of Representatives on January 13, 1953, by Mr. Gwinn of New York.

> Proposing an amendment to the Constitution of the United States relative to prohibiting the United States Government from engaging in business in competition with its citizens.
> Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein), That the following article is proposed as an amendment to the Constitution of the United States, which shall be valid to all intents and purposes as part of the Constitution when ratified by the legislatures of three-fourths of the several States:
>
> "Article--
>
> "Section 1. "The Government of the United States shall not engage in any business, professional, commercial, financial, or industrial enterprise except as specified in the Constitution.
>
> "Sec. 2. The Constitution or laws of any State, or the laws of the United States, shall not be subject to the terms of any foreign or domestic agreement which would abrogate this amendment.

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Chapter VI

The Present Status and Conclusions

As pointed out by Mr. Pritchett, Congress has virtually eliminated the responsibility of the Government Corporation and now there is increasing reason to believe that it will be further steps towards eliminating it completely from existence of the Government Corporation.

The Publicity Resolution was introduced in the House of Representatives on January 13, 1933, by Mr. Brown of New York.

> Proposing an amendment to the Constitution of the United States relative to prohibiting the United States Government from engaging in business in competition with its citizens.
>
> Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein), That the following article is proposed as an amendment to the Constitution of the United States, which shall be valid to all intents and purposes as part of the Constitution when ratified by the Legislatures of three-fourths of the several States:
>
> "Article--
>
> "Section 1. The Government of the United States shall not engage in any business, professional, commercial, financial, or industrial enterprise except as specified in the Constitution.
>
> "Sec. 2. The Constitution or laws of any State, or the laws of the United States, shall not be subject to the terms of any foreign or interstate agreement which would abrogate this amendment.

> "Sec. 3. The activities of the United States Government which violate the intent and purpose of this amendment shall, within a period of three years from the date of the ratification of this amendment, be liquidated and the properties and facilities affected shall be sold."[18]

Joint Resolution 184 was introduced on the floor of the House by Representative Busby, February 12,1953, and seeks "to look into Government enterprise activity. Its purpose is as follows:

> "For the establishment of a commission to study Government competition with private taxpaying enterprise.
> Resolved by the Senate and House of Representatives of the United States in Congress assembled,
> DECLARATION OF INTENT AND POLICY
> Section 1. (a) It is hereby declared to be the intent and the policy of the Congress to curtail or abolish those business activities engaged in by the Federal Government for which ample facilities are available by private taxpaying enterprise.
> (b) To reduce the Federal payrolls to the extent of hundreds of millions of dollars annually by releasing scores of thousands of employees engaged in Government activities which private enterprise can readily absorb in similar employment." 19

In support of his resolution, Representative Busby made the following remarks on the floor of the House:

> "Today I have introduced a joint resolution to establish a Commission to Study Government Competition With Private Taxpaying Enterprise. The enormous growth of Government

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18. H.J. Res. 123, 83rd Congress, 1st Session, Jan. 13, 1953, Representative Gwinn, New York
19. H.J. 184, 83rd Congress, 1st Session, Feb. 12, 1953 Representative Busby, Illinois

"Sec. 3. The activities of the United States Government which violate the intent and purpose of this amendment shall, within a period of three years from the date of the initiation of this amendment, be liquidated and the properties and facilities affected shall be sold."

Joint Resolution 134 was introduced on the floor of the House of Representatives Monday, February 14, 1955, and stated "in lieu of the Government subversive activity, the purpose is to fulfill:

"For the establishment of a committee to study Governmental competition with private enterprise enterprise.
Perceived by the Senate and House of Representatives of the United States in Congress assembled:
Declaration of Intent and Policy
Section 1. (a) It is hereby declared to be the intent and the policy of the Congress to curtail or eliminate those business activities engaged in by the Federal Government for which adequate facilities are available by private business enterprise.
(b) It further has been the policy as the result of numerous by illegally competing in certain business activities which private enterprise can fairly expect in similar employment." 19

In support of the resolution, Congressman Dondero made the following remarks on the floor of the House:

"Today I have introduced a joint resolution to establish a Commission to study Government competition with private enterprise. The economic growth of Government

during the past 20 years, is, as we all realize, a dangerous threat to the sovereign rights of the individual States and to the personal liberty of all of us. But possibly we are not as keenly aware of the threat to privately owned enterprises in all parts of the country because of competition from the purely business activities of the Federal Government.

One example of a Federal activity which is competing with private industry is the Reconstruction Finance Corporation. The RFC reduces investment opportunities for banks, insurance companies, and other privately owned financial organizations. Congress did not intend this. When we enacted legislation establishing the Reconstruction Finance Corporation, we contemplated that it would make loans only when private lending institutions were unwilling to do so. Recent practice has been to grant RFC loans to borrowers simply because they are unable to get private money on their own terms. But, the RFC is only 1 of 40 Federal agencies which are or have been engaged in banking and credit activities.

To mention only a few: Farm Credit Administration, Farmers Home Administration, Rural Electrification Administration, Reclamation Bureau, Soil Conservation Service, Commodity Credit Corporation, Federal Farm Mortgage Corporation, Mutual Security Agency, Defense Minerals Exploration Administration, Technical Cooperation Administration, Maritime Administration, Housing and Home Finance Agency, Export-Import Bank, Federal National Mortgage Association. Other Federal agencies and corporations engaged in lending and credit activities are listed in special analysis D on page 1104 of the Budget document for 1954.

More than $12,500,000,000 in Federal funds are invested in these lending activities, with additional commitments of more than nine billion.

Another glaring example is public housing. The first Federal Housing Act was passed in 1937, to alleviate the present and recurring unemployment, which reason no longer exists. Like all other tax-free socialistic experiements, Government housing is the same kind of unfair competition for which private business would be hailed before the Federal Trade Commission and the Department of Justice for prosecution for monopoly in restraint of trade, and so forth.

There are four separate Federal housing bureaus:

First: Housing and Home Finance Agency: Employs 101 persons at salaries from $6,400 to $17,500, exclusive of many hundreds of secretarial and clerical staffs.

Second: Federal Housing Administration: Employs 279 persons at salaries from $5,400 to $15,000, exclusive of many hundreds of secretarial and clerical staffs.

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during the past 20 years, is, as we all realize, a dangerous breach to the growing rights of the individual citizen in the political liberty of all of us. But possibly, in fact as well as theory, some of the threat is primarily based subversives in all parts of the country despite of opposition from the Judiciary Committee activities of the Federal Government.

One example of a Federal activity which is competing with private industry is the Tennessee Valley Corporation. The TVA reduces irrigations, electricity for farms, improves navigation, and other privately owned financial arrangements. Congress did not intend this. When we enacted legislation creating the Reconstruction Finance Corporation, we specifically that it would make loans only when private lending institutions were unwilling to do so. Lawyers practice has been to grant NOT loans to businesses simply because they are unable to get private money on their own terms. But, the RFC is only 1 of 45 Federal agencies which are or have been engaged in lending and credit activities.

To mention only a few: Farm Credit Administration, Farmers Home Administration, Rural Electrification Administration, Production Bureau, Soil Conservation Service, Commodity Credit Corporation, Federal Fire Insurance Corporation, Rural Housing Agency, Veterans Administration Guaranteed Loan, Commercial Corporation Administration, Marine Administration, Housing and Home Finance Agency, Export-Import Bank, Federal National Mortgage Association. Other Federal agencies and corporations engaged in lending and credit activities are listed in special analysis D in the life of the budget document for 1954.

More than $15,000,000 in Federal funds are invested in these lending activities, and additional commitments of more than nine billion.

Another phase, equally in public interest. The first Federal housing act was passed in 1937, to alleviate the overall and housing conditions, which resulted in longer rents. Like all other Re-Free social legislation, Government housing is the same kind of unfair competition for social private business could be helped either the Federal Trade Commission and the Department of Justice for prosecution for monopoly in restraint of trade, and in fact.

There are four separate Federal housing bureaus:

First, Housing and Home Finance Agency. Employs 101 persons at salaries from $5,000 to $17,500, exclusive of many business or managerial and clerical staffs.

Second, Federal Housing Administration. Employs 275 persons at salaries from $5,000 to $15,000, exclusive of many business or managerial and clerical staffs.

Third: Public Housing Administration: Employs 92 persons at salaries from $6,400 to $15,000, exclusive of many hundreds of secretarial and clerical staffs.

Fourth: Office of the Housing Expediter: Employs 286 persons at salaries from $5,400 to $14,000, exclusive of many hundreds of secretarial and clerical staffs.

What have these four bureaus accomplished during the past 15 years which private builders and prospective homeowners could not have accomplished to alleviate the present and recurring unemployment and to remedy the serious housing shortage, which were the reasons stated for enactment of housing legislation?

I want it clearly understood that I am not singling out any particular agency nor endeavoring to pass on the degree with which various agencies are in competition with private business, but I am urging Congress to adopt my resolution in order that we will have the advantage of this Commission's survey and findings. It would operate in this field in a way similar to the study conducted by the Hoover Commission on the Reorganization of Government Agencies.

Perhaps one of the greatest threats to free competition came in 1951, when Congress was considering the Defense Production Act. The Government asked for more power to carry on business pursuits, and an amendment was proposed giving the Government power to build industrial plants for the purpose of manufacturing, producing, and processing materials necessary to the national defense and to engage in marketing, transportation, and storage of such materials. If this amendment had been enacted, it might well have crushed private industry, which could not have long withstood the competition from the Federal Government, with its enormous capital resources. As you know, Congress rejected the proposal.

It will not be easy to get the Government out of competition with private business enterprises. This was demonstrated in the recent Dollar-Steamship-Company Case. You will remember that in 1938, the Government undertook the operation of the Dollar Line and immedeately changed the name to the American President Line. For the next 12 years, political appointees, with little or no experience in shipping, occupied the $25,000-a-year job as company president, Mismanagement was so notorious that Harry Lundeberg, president of the AFL Seafarers International Union, stated publicly that---

> 'The American President Line is fun by the Government and is like a Government agency, you get a job there, not because you are a good seaman or a good maritime executive, but because you are a good politician.'

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Thirty public housing administration employs 92 persons at salaries from $5,800 to $15,000, analysts of many varieties of mechanical and electrical skills.

Federal Office of Rent Housing Expenditure employs 380 persons at salaries from $5,400 to $14,000, analysts of many varieties of mechanical and electrical skills.

Each have these four persons accomplished during the last 15 years which is likely the overwhelming bureaucracy which has been accomplished in alleviating the pressure and removing unemployment and is really the optimum housing advantage, which were the towns during the evacuation of housing legislation.

I wish to clearly understand that I am not arguing such preliminary-scoop our measuring stick to the degree with social policy economics are in negotiations with private industry, as I am writing concerns in-depth by investigation to either long or will have the strategy of this investigation's survey and findings. In social-practice this field is a very minister so the study conducted by the better consulting on the investigation of economic alternatives.

Perhaps one of the greatest surprise is from conversation about in 1951, when Congress was considering the Defense Production Act. The Government asked for more power to carry on military purchasing, and to monitor this process giving the Government power to build industrial plants for the purpose of manufacturing, producing, and processing materials necessary to the military. Defense was to assess in operations, transportation and storage of such materials. If this assessment had been adopted, it which will have created problems in-country, which could not have long stimulation the consultation from the Federal Government, with its economic capital resources. In fact more, Congress relinquished the control.

It will not be easy to get the Government out of operation with private business enterprise. This was demonstrated in the recent Dulles-Jamesville-Syracuse case. The will expander sure in 1959, the Government underwrote the operation of the Dulles line and inter-actually measure the case in the American Transport line. For the next 12 years, political expediency, will battle or be overturned in Congress, measuring the 50,000-a-year in as common problems. Eisenhower said to anything that Harry Lundeberg, president of the Seafarers International Union, fighting maritime subsidy.

'The American President like is the to the director and he is like a Government account. You can's jus' leave, not forgive you the a good action of a good political activity, but leaves you with a good politics.'

When the company's debt to the Government had been paid, R. Stanley Dollar and his associates asked the Department of Commerce to return their property. This request was refused. The Government claimed that it owned the stock, and it offered the shipping company for sale to the highest bidder. The Dollar interests brought court action to enforce their claim to the $68,000,000 company, and the court ordered the Government to return the stock. Secretary of Commerce Charles Sawyer refused; and United States Court of Appeals for the District of Columbia, by a unanimous decision of three judges, cited Secretary Sawyer for civil and criminal contempt, The court said:

> 'Here we have the spectacle of a Government which proclaims adherence to law as the governing force among men not only refusing for 6 years to submit to its own courts its claims to private property derived from purely commercial transactions, but endeavoring by every device to thwart and defeat the judgment of those courts after it has been rendered.'

The Supreme Court affirmed this decision, but even then, the Department of Commerce did not fully restore ownership of the steamship line to the Dollar Co. A settlement was later negotiated. The Dollar Line's case demonstrates the danger Senator Benjamin Harvey Hill warned us of in a speech in the Senate on March 27, 1878. Senator Hill said:

> 'I have said that I do not dread these (private) corporations as instruments of power to destroy this country, because there are a thousand agencies which can regulate, restrain, and control them; but, there is a corporation we may all dread. That corporation is the Federal Government. From the aggression of this corporation there can be no safety, if it is allowed to go beyond the bounds, the well-defined limits of its power. I dread nothing so much as the exercise of ungranted and doubtful powers by this Government. It is, in my opinion, the danger of dangers, to the future of this country. Let us be sure to keep it always within its limits. If this great, ambitious, ever-growing corporation becomes oppressive, who shall check it? If it becomes wayward, who shall control it? If it becomes unjust, who shall trust it? As sentinels on the country's watchtower, Senators, I beseech you, watch and guard with sleepless dread that corporation which can make all property and rights, all States and people, and all liberty and hope, its playthings in an hour and its victims forever.'

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It is apparent from this statement that the dangers of Government encroachment on private business activities have long been recognized, and something should have been done about it long ago. My resolution would do something about it by creating a commission of 21 members, representing over-all manufacturing, industry, trade and commerce, transportation, banking, newspaper and magazine publishing, and other forms of graphic arts. Seven members of the Commission would be appointed by the President, seven by the President of the Senate, and seven by the Speaker of the House of Representatives. This commission would have access to all Government records; and, after making a thorough study of Government functions, which compete with private business activities, it would report to Congress on its findings and would make recommendations for getting the Government out of competition with private business.

I am recommending the creation of a special commission because the problem is so vast in its scope. Before Congress can act effectively on legislation to remedy the situation, it must have the advantage of a comprehensive report, with facts and figures in detail. The fact is that Government competition affects, in one way or another, a large percentage of the four million-odd business concerns in this country in different lines of manufacturing, commerce, banking, transportation, and the public services. To eliminate Government as a competitor would be the greatest boon Congress could bestow upon free, independent, taxpaying enterprise." 20

Since Representative Busby expounded upon the adviseability of curtailing the activities of Government Corporations, it has been decided by the present Administration to allow the Reconstruction Finance Corporation to die a natural death in 1954. This decision has undoubtedly set the precedent for many other emergency Government Corporations. As their charters are brought up for renewal they will be allowed to lapse. The clothing operation of the United States Navy, although not corporated, will be discontinued in April 1953. The underlying reasons being pressures brought by American business.

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20. Congressional Record -- House, February 12, 1953

The government corporations should be analized very critically so as to determine which are doing jobs that could not be done more efficiently by private industry. They have proved to be an expensive instrument, but one whereby tasks could be accomplished. It is hard to visualize the task of complete abandonment of the corporate device but it is claimed by advocates of that theory that "denationalization of the enterprises now federally owned and operated would reduce the national debt. It would also eliminate the losses and hidden costs of the federal corporations, reducing the cost of operating the federal government by more than one third, which would, in turn, greatly reduce taxes.

Estimating the extent of this tax reduction it is anticipated that personal income taxes could be cut to less than a $6 billion a year total - - a 70 per cent reduction - - thus increasing personal tax exemptions from $600 per person to $1500 per person, and cut the rate of taxes above the $1500 in half.

This would mean that the first $156 per person paid in taxes could be retained by the taxpayer, and all the taxes above the present $156 per person point would be cut in half.

Thus, by returning productive enterprise to the individual enterprise system, the conflict between government and people over the ownership and operation of

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The government corporations should be analyzed very critically so as to determine which are using ITT funds, could get by some more efficiently or private industry. This term proved to be an important instrument, and one whether there could be accomplished. It is time to eliminate the idea of complete management of the corporate device but it is claimed to eliminate of some income that "demi-millionaire" of the enterprises can income by reduce and operations would reduce the national debt. It would also eliminate the losses and bigger costs if the federal corporations, reducing the need of converting the federal corporations by more than one billion, million annually, in short, greatly reduce taxes.

Combining the action of this two recommendation is the authorization that government income taxes should be not so high and to raising a great total -- a fifth or less reduction -- thus increasing greatly the circulation from 1000 per person to $1500 per year, and not the rate of taxes above not $1000 in half.

The result shows that the first $150 per person paid in taxes would be required for the income, and all the taxes above the amount $150 per person would be cut in half.

Thus, by reducing exhaustive expenditure in the individual corporation direct, the overall income expenditure can decrease since the unnecessary and reversing of

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the enterprises created by the people will end. Labor would have the increased "take-home-pay" it seeks solving much of the current labor problem. As this increased "take-home-pay" would not involve increased pay rates, it would restore the fruit of toil to those who toil, increasing the standard of living of the American people by 11 per cent." 21

This, is perhaps, a far too enthusiastic claim, but it does point the direction of thinking in this area.

The Government Corporation should, if used, be given the broadest of supervisory power, along with financial freedoms; they should use the business method of accounting, this means amendment of the Control Act. They should pay for their own audit by Auditing Management Firms. This would relieve the General Accounting Office and keep the Corporations on their own financial feet. The Government Corporations should be freed from the shackels of Civil Service Regulation and should be allowed the privilege to hire and fire. They should be able to retain their reserve funds and their annual earnings. They should pay all costs for the conduct of their commercial type operation. They should not ask nor take any priviledge of any other government unit in the way of services or material.

"Theoretically, if sufficient improvements could be made among the departments in the direction of greater

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21. Willis E. Stone, President. The Federal Corporations, The American Progress Foundations.

the activities created by the people will end. Labor would have the increased "take-home-pay" if people solving part of the current labor problem. As this increased "take-home-pay" would not involve increased pay rates, it would mean the fruit of toil to those who toil, increasing the standard of living of the American people by its own merit." 21

This, in conclusion, is for the economically minded, but it does point the direction of thinking in this field.

The investment corporation should, in order, be given the treasurer of superviews money, along with financial financiers. Only should use the business method of accounting. This is being monopoly of the Central Accounting Office and use the corporations in their own financial task. The investment corporations should be freed from the absurdity of their immense capitalization and should be allowed the privileges to file and fix. They should be able to retain their reserve funds and their annual earnings. They should pay all taxes for the purpose of their operation and administration. They should not be made liable for any other government unit in the way of services or materials.

Theoretically, if sufficient improvements could be made among the departments in the direction of economic

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21. Willis E. Shone, President, The Federal Commerce-

autonomy and flexibility, there would be little or no justification for government corporations at all. However, progress to date in this and other countries has been so slow, and the underlying theory of management and control in many cases is so foreign to flexibility and freedom, that government corporation should, if possible, point the way to needed improvements, and not be discarded because they are administratively competitive. In a democracy, as in other forms of government, the means should be adjusted to the purpose and all operations administered as efficiently as possible in order that programs democratically decided upon shall have the best assurance of success. Experimentation, not uniformity, is the spirit of democratic control. "If, as seems likely, government's concern for the economy continues to grow, an important problem will be that of retaining the best features of private enterprise in a system that has tended increasingly toward collectiveism." 22

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22. Marshal Dimock, The Government Corporation, A Focus of Policy and Administration, II, The American Political Science Review, December, 1949.

autonomy and flexibility, seem usual or clearly to be justification for government intervention of all kinds. Even ever, Hayekian is open to this and other criticisms has been so long, and the underlying tension between freedom and control [illegible] is so fundamental to Hayek's thought, that it is [illegible] freedom, that government intervention should, if possible, notes the way to avoid inconsistency, and may be disposed to [illegible] are [illegible] conditions. In a democracy, all in other forms of government, the [illegible] should be [illegible] in the purpose and all [illegible] elections or activity is inevitable in [illegible] democratic society which [illegible] assumptions of [illegible]. Legislation, not [illegible], is the right of democratic [illegible]. [illegible] [illegible] Hayekian's concern for the [illegible] [illegible], to minimize [illegible] will be [illegible] the best feasible of [illegible] [illegible] in a [illegible] [illegible] [illegible] [illegible].

[illegible]

THE FEDERAL CORPORATIONS

1. Agricultural Research Administration
2. Alaska Railroad
3. Alaska Rural Rehabilitation
4. Alaska Spruce Corporation
5. Bureau of Agricultural and Industrial Chemistry
6. Bureau of Community Facilities
7. Bureau of Employee's Compensation
8. Bureau of Human Nutrition and Home Economics
9. Bureau of Land Management
10. Bureau of Old Age and Survivors Insurance
11. Bureau of Reclamation
12. Bonneville Power Administration
13. Central Bank for Cooperatives
14. Central Valley Project
15. Commodity Credit Corporation
16. Corps of Engineers
17. Defense Homes Corporation
18. Defense Plant Corporation
19. Defense Supplies Corporation
20. Division of Power
21. Division of Territories and Island Possessions
22. Export-Import Bank
23. Farm Credit Administration
24. Farmers Home Administration
25. Federal Airways System
26. Federal Crop Insurance Corporation
27. Federal Deposit Insurance Corporation
28. Federal Farm Mortgage Corporation
29. Federal Home Loan Bank
30. Federal Housing Administration
31. Federal Intermediate Credit Banks
32. Federal Land Banks
33. Federal Loan Agency
34. Federal National Mortgage Association
35. Federal Power Commission
36. Federal Public Housing
37. Federal Reserve Banks
38. Federal Savings and Loan Insurance Corporation

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THE FEDERAL CORPORATIONS

1. Agricultural Research Administration
2. Alaska Railroad
3. Alaska Rural Rehabilitation
4. Atlantic Refuge Corporation
5. Bureau of Agricultural and Industrial Chemistry
6. Bureau of Community Facilities
7. Bureau of Employees' Compensation
8. Bureau of Human Nutrition and Home Economics
9. Bureau of Land Management
10. Bureau of Old Age and Survivors Insurance
11. Bureau of Reclamation
12. Commodity Credit Corporation
13. Commodity Exchange Authority
14. Cooperative Veterans Projects
15. Commodity Credit Corporation
16. Corps of Engineers
17. Defense Homes Corporation
18. Defense Plant Corporation
19. Defense Supplies Corporation
20. Division of Power
21. Division of Territorial and Island Possessions
22. Export-Import Bank
23. Farm Credit Administration
24. Farmers Home Administration
25. Federal Aviation Agency
26. Federal Crop Insurance Corporation
27. Federal Deposit Insurance Corporation
28. Federal Farm Mortgage Corporation
29. Federal Home Loan Bank Board
30. Federal Housing Administration
31. Federal Intermediate Credit Banks
32. Federal Land Banks
33. Federal Land Bank
34. Federal National Mortgage Association
35. Federal Power Commission
36. Federal Public Housing
37. Federal Reserve Banks
38. Federal Savings and Loan Insurance Corporation

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39. Federal Security Agency
40. Federal Surplus Commodities Corporation
41. Federal Works Agency
42. Government Printing Office
43. Home Owners Loan Corporation
44. Housing Insurance Fund
45. Inland Waterways Corporation
46. Institute of Inter-America Affairs
47. International Bank for Reconstruction
48. International Monetary Fund
49. Land Bank Commissioners Loans
50. Maritime Commission
51. Metal Reserves Company
52. Missouri Basin Project
53. Mutual Mortgage Insurance
54. National Capitol Housing
55. National Housing Agency
56. National Service Life Insurance
57. Office of Indian Affairs
58. Office of Vocational Rehabilitation
59. Panama Railroad
60. Postal Savings System
61. Prencinradio, Inc.
62. Production Credit Corporations
63. Production and Marketing Administration
64. RFC Mortgage Company
65. Railroad Retirement Board
66. Reconstruction Finance Corporation
67. Regional Agricultural Credit Corporation
68. Rubber Development Corporation
69. Rubber Reserve Company
70. Rural Electrification Administration
71. Social Security Administration
72. Soil Conservation Service
73. Southwestern Power Administration
74. Synthetic Liquid Fuels Program
75. Tennessee Valley Authority
76. Tennessee Valley Associated Cooperatives, Inc.
77. U.S. Commercial Company
78. U.S. Employment Service
79. U.S. Housing Corporation
80. U.S. Maritime Commission
81. Department of the Navy

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39. Federal Industry Bureau

40. Federal Savings Commission

41. Federal Home Loan Bank

42. Government Printing Office

43. Home Owners Loan Corporation

44. Housing Insurance Fund

45. Inland Waterway Corporation

46. Institute of Textile Technology

47. International Loan for Reconstruction

48. International Monetary Fund

49. Land Bank Commissioner Loans

50. Marine Insurance

51. Metal Mining Corporation

52. Mineral Resources

53. Mutual Ordnance Insurance

54. National Banking System

55. National Housing Agency

56. National Service Life Insurance

57. Office of Inland Affairs

58. Office of Vocational Rehabilitation

59. Postal Savings

60. Postal Savings System

61. Prescriptoria, Inc.

62. Production Credit Corporations

63. Production and Marketing Administration

64. RFC Mortgage Company

65. Railroad Retirement Board

66. Reconstruction Finance Corporation

67. Regional Agricultural Credit Corporation

68. Review Examining Board

69. Secretary of Agriculture

70. Rural Electrification Administration

71. Social Security Administration

72. Soil Conservation Service

73. Homestead Stabilization Administration

74. Subsidiary Liquid Funds Fund

75. Tennessee Valley Authority

76. Tennessee Valley Associated Co-operatives, Inc.

77. U.S. Commercial Company

78. U.S. Employment Service

79. U.S. Housing Corporation

80. U.S. Shipping Commission

81. Department of the Navy

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